

STATE OF UTAH

WATER QUALITY

STATE REVOLVING FUND



(Hooper City - Project #136)

ANNUAL REPORT

State Fiscal Year 2007

Table of Contents

Executive Summary	2
Mission Statement	3
Goals, Objectives, and Implementation Plans	3
Details of Accomplishments	4
Current Status and Proposed Improvements.....	6
Management.....	7
Table 1 - Utah SRF Accomplishments to June 30, 2007	8
Table 2 - Cash Draw Schedule for SFY2007.....	9
Unaudited Statement of Net Assets.....	10
Unaudited Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	11
Unaudited Statement of Cash Flows.....	12
Reporting Entity.....	13
Summary of Significant Accounting Policies.....	14
Cash and Cash Equivalents.....	15
Loans Receivable.....	15
Due to State of Utah.....	16
Capitalization of the Fund.....	16
Contingencies and Subsequent Events.....	17

Executive Summary

The State of Utah's Water Quality Revolving Fund (the SRF) was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans to finance the construction of publicly owned water quality preservation and protection facilities.

The Utah Department of Environmental Quality (DEQ) administers the SRF through the Division of Water Quality. The Utah Water Quality Board (the Board) is comprised of eleven members who are appointed by the Governor. The Board develops administrative rules for program implementation and authorizes loans under the SRF. Primary SRF activities of the Division of Water Quality include: administering loans for water quality, assisting communities to properly treat and dispose of wastewater, and managing fund transactions.

The Division of Water Quality serves as staff for the Board and manages the day-to-day operations of the SRF. The Division of Water Quality receives assistance and support from the Department of Environmental Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of DEQ employees, as well as indirect costs based on direct salary costs, are charged to the SRF. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan. State indirect costs for general state expenses are also charged to the SRF through a cost allocation plan.

With approval from the Environmental Protection Agency, the State of Utah established a Hardship Grant Program during State Fiscal Year 1993. This grant program was partially funded by hardship assessment fees that were charged in lieu of interest on loans awarded through the SRF. Hardship grant assessment payments are deposited into a Federal Hardship Grant Fund, which is separate from the SRF. The Federal Hardship Grant Fund is used to award grants to communities that are otherwise financially unable to participate in the SRF loan program. The SRF financial statements included in this report account for hardship grant assessments, grant awards, and Federal Hardship Grant Fund interest earnings. For loans closed after July 1, 1999, federal hardship grant assessments are used in accordance with the EPA policies and regulations.

Utah also operates a State loan program, which provides Utah the flexibility to fund needed water quality projects without certain restrictions that accompany the SRF program. State match funds for the SRF have been generated from the State loan program.

Mission Statement

The mission of the Department of Environmental Quality is to safeguard human health and quality of life by protecting and enhancing the environment.

Goals, Objectives, and Implementation Plans

Projects which preserve and protect water quality within the State of Utah will be considered for financial assistance. Projects will not be limited to the treatment of municipal waste.

Long-Term Program Goals

1. Provide a permanent source of funding that can be used in combination with community and other funding sources in order to assist the financing of wastewater facility construction and water quality projects.
 - All projects that have been or will be funded from the SRF will receive loans, which require an annual repayment of principal. Since its inception, the fund balance has been increasing steadily. Cash flow projections indicate that the fund will continue to generate a repayment stream for the funding of future projects.
2. Evaluate and prioritize water quality needs within the state in order to distribute funds to the most environmentally needy projects.
 - All projects that have received or are planning to receive loans from the SRF are high priority projects that meet a critical need as defined by the Utah State Project Priority System.
3. Maximize the use of funds by offering state financial assistance for sufficient and affordable funding of construction projects.
 - The SRF balances the environmental and economic need for individual projects. A financial feasibility review is performed before a project is authorized for a SRF loan. This review evaluates the rate of interest that an entity can afford to pay and its ability to repay a loan. Unless the entity is determined capable of repaying the loan, an authorization is not made.
 - The Hardship Grant Program was created specifically to provide funding for projects that would not be able to secure sufficient loan funds due to financial restraints.
 - The Water Quality Board assists communities addressing needs for adequate wastewater facilities and recognizes that these facilities must be sized for future growth. When helping communities provide wastewater infrastructure for existing and future users, the Board should be satisfied that proper and adequate planning has taken place so that environmental and quality of life problems associated with sprawl are not fostered by its funded projects.

Short-Term Program Goals

1. Assist prospective recipients with funding application preparations from initial facility planning through authorization of funding.
 - Each community in the IUP receives facility planning and funding application preparation assistance.
2. Assist recipients during the completion of construction for projects that have received financial assistance from prior year funds.
 - Water Quality assists each community from the beginning stages of application, planning, and design through the completion of construction.

Details of Accomplishments

Financial Status of the SRF

The State Revolving Fund receives Capitalization Grants from the EPA and 20% state match funds for obligated grants.

The fund increases with revenues from interest on loans and interest earned on investment funds. The net income from fund activities continues to increase and the fund balance is increasing steadily.

Assistance Activity

Seventy-five seven loans have been closed. All projects have begun construction and sixty-nine of those projects completed construction (see Table 1 for details).

Provisions of the Operating Agreement/Conditions of the Grant

The State of Utah agreed to twenty-three conditions in the Operating Agreement. Twelve conditions have been met and need no further description and are as follows:

1. Agreement to Accept Payments
2. State Laws and Procedures
3. State Accounting and Auditing Procedures
4. Recipient Accounting and Auditing Procedures
5. Use of the LOC
6. Repayments
7. Annual Audit
8. Annual Report
9. Annual Review

10. Anti-lobbying
11. Drug Free Workplace
12. Rural Area Business Enterprise Development Plan

The remaining eleven conditions described in the Operating Agreement have also been met and are described below:

13. Provide State Match - State matching funds have either been added to the fund or committed to the SRF in the amount required by the Clean Water Act. State match funds are available from the Utah Wastewater Project Assistance Program.
14. Repayment Begins within One Year of Construction End – Principal and interest repayments of the Utah State Revolving Fund begin within one year of construction completion. This allotted time allows revenue accumulation for one annual loan payment.
15. Expeditious and Timely Expenditure - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. (See Table 1 & Table 2 for details.)
16. First Use for Enforceable Requirements - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 1382(b) (5) of the Clean Water Act. This section requires that all Capitalization Grant funds be used first in order to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.
17. Eligible Activities of the Fund - All projects that have received SRF loans have either expended loan proceeds for eligible costs or used “banked equivalency.”
18. Compliance with Title II Requirements - In accordance with Section 1382 (b) (6) of the Clean Water Act, the SRF is required to meet sixteen specific Title II “equivalency” requirements for wastewater treatment projects under Section 212 which have been constructed, in whole or part, before October 1, 1994, with funds “directly made available by the Capitalization Grant.” The State has met equivalency requirements up to October 1, 1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.
19. MBE/WBE Requirements - The State negotiated fair share utilization goals with Region VIII for participation on activities financed by the SRF. During the state fiscal year, the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.

20. Other Federal Authorities - The State and all recipients of SRF funds, which were made available directly by the Capitalization Grant, have complied with applicable federal authorities. Recipients of SRF assistance agreed to this as a condition of the bond agreement between the loan recipient and the State.
21. State Environmental Review Process - During the fiscal year, the State was actively involved in assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
22. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the federal Letter of Credit (LOC) and from the state match for loan projects and administration during the fiscal year.
23. Outlay Projections - The FY07 Intended Use Plan (IUP) projected draws for loans from the federal LOC equal to \$16,822,084. During SFY 2007 a total of \$8,798,216 was actually drawn, which is approximately 52% of the projected amount. The difference between projected and actual draws is due to the following:
 - As part of the loan closing for North Fork SSD, Sundance made a local contribution of approximately \$1.2 million. Therefore, the district did not require draws from the federal letter of credit until State Fiscal Year 2008.
 - Eagle Mountain did not have a loan closing as anticipated. Due to changes in the city's administration, it is unclear when a loan closing will be scheduled.

Current Status and Proposed Improvements

Since its inception, the State Revolving Fund has been steadily increasing and has grown into a permanent source of financial assistance for the construction of water quality projects throughout the State of Utah.

Each year, there are water quality projects in Utah that do not receive funding directly from the SRF. Utah encourages community self-reliance through prudent planning and cooperative efforts to utilize other sources of available financial assistance.

Many of the larger wastewater treatment facilities located in high population areas of the State have developed their own sources of financing construction without the utilization of the State Revolving Fund. Medium-sized communities heavily rely on the SRF to provide additional assistance in order to make wastewater treatment affordable to their citizens. To allow affordability, communities with small populations use the Rural Development Administration in combination with the Utah Wastewater Project Assistance Program for loans and grants to finance their wastewater projects.

The Community Impact Board funding is used by communities located within impacted communities.

Management

The Utah Water Quality Board governs the State Revolving Fund, sets policy, and authorizes assistance. The Division of Water Quality, Engineering Section manages the State Revolving Fund.

TABLE 1
UTAH STATE REVOLVING FUND
ACCOMPLISHMENTS TO JUNE 30, 2007

PROJECT	IDENTIFICATION							Hardship			Planned	Actual	Planned	Actual	Planned	Actual	Planned
Recipient Name	Project Number		E	NE	Type*	%		Assmt	Term	Need	Loan Amount		Binding	Commitment	Construction	Start	Construction
1 Smithfield City	C490283	101	♣		L	0.00%			20 yrs	IVa&b	3,630,300	3,630,300	May-88	Aug-88	Jun-88	Aug-88	Oct-89
2 South Davis SID - North	C490275	102	♣		L	3.00%			20 yrs	I	4,498,440	4,498,000	Jan-89	Jan-89	May-88	Aug-88	Oct-90
3 Central Davis SID - Ph 4	C490285	103a	♣		L	3.00%			20 yrs	I	1,250,000	1,250,000	Aug-88	Feb-89	Aug-88	Feb-89	Feb-90
4 Providence City	C490292	104	♣		L	0.00%			18 yrs	IVa & b	3,500,000	3,500,000	Sep-89	Sep-89	Sep-89	Nov-90	Nov-90
5 Solitude ID Phase I	C490298	105	♣		L	0.00%			20 yrs	IVb	3,200,000	2,993,000	Sep-89	Mar-90	Sep-89	Apr-90	Jan-93
6 Central Davis SID - Ph 5&6	C490285	103b	♣		L	3.00%			20 yrs	I	1,150,000	1,150,000	Aug-88	Apr-90	Aug-88	Feb-89	Feb-90
7 Central Davis SID - Ph 5&6	C490283	108	♣		L	5.00%			20 yrs	I	500,000	850,000	Mar-90	Apr-90	Feb-90	Jan-00	Mar-91
8 South Davis SID - North	C490275	107	♣		L	5.00%			20 yrs	I	4,300,000	4,205,000	Feb-90	Aug-90	Aug-88	Feb-89	Sep-91
9 Solitude ID (phase II & III)	C490298	112	♣		L	0.00%			20 yrs	IVb&IVa	1,300,000	2,376,716	Mar-91	May-91	Jun-91	Apr-90	Jan-93
10 Hyde Park City	C490301	106	♣		L	0.00%			18 yrs	IV b	1,750,000	800,000	Dec-91	Dec-91	Sep-91	Jan-92	Jun-93
11 South Weber City	C490300	114	♣		L	0.00%			20 yrs	IVb&IVa	3,006,000	3,056,000	Mar-92	May-92	Jun-92	Jul-92	Sep-95
12 South Davis SID - South	C490275	115	♣		L	4.00%			20 yrs	I	3,441,000	4,475,000	Sep-92	Sep-92	Aug-92	Oct-92	Sep-94
13 Aurora City	C490309	119	♣		L	0.00%			20 yrs	IVb,IVa&I	965,000	965,000	May-93	Apr-93	Jul-93	Nov-93	Dec-95
14 Timpanogos SD (sludge)	C490330	125	♣		L	3.50%			10 yrs	II	1,300,000	1,300,000	Jun-93	Jun-93	Jul-93	Jun-93	Jul-94
15 St George City	C490320	123	♣		L	3.50%			20 yrs	I	4,000,000	4,000,000	Dec-93	Dec-93	Feb-94	Nov-94	Sep-97
16 Santaquin City	C490306	109	♣		L	0.00%			20 yrs	IVb,IVa&I	2,307,000	1,307,000	Dec-93	Feb-94	May-94	Apr-94	Jun-96
17 Orem City	C490317	128	♣		L	0.00%	3.50%		20 yrs	I	3,500,000	3,500,000	Feb-94	Apr-94	Mar-94	Aug-94	Sep-95
18 North Davis Co. SID	C490328	126	♣		L	0.00%	3.50%		20 yrs	II	4,000,000	4,000,000	Dec-93	Jun-94	Jan-94	Aug-94	Jan-96
19 Snyderville Basin SID	C490313	122	♣		L	0.00%			20 yrs	I	2,500,000	2,500,000	Mar-94	Jun-94	Oct-95	Aug-94	Jun-96
20 Magna ID	C490325	132	♣		L	0.00%	3.50%		20 yrs	IVb, I	2,320,000	2,320,000	Feb-94	Jun-94	Mar-94	Jul-94	Sep-95
21 Timpanogos SD	C490332	135	♣		L	0.00%	4.00%		20 yrs	II	2,900,000	2,900,000		Jul-94		Jul-94	Oct-95
22 Cedar City	C490305	117	♣		L	0.00%	2.75%		20 yrs	I,II & IVb	12,010,000	12,010,000	Aug-94	Aug-94	Apr-94	Sep-94	Dec-96
23 Provo City	C490323	131		♦	L	0.00%	3.50%		7 yrs	II	1,185,000	1,185,000	Dec-94	Apr-95	Jul-95	Apr-95	Feb-96
24 Jordanelle SAD	C490322	130	♣		L	0.00%	3.00%		10 yrs	IVb	2,137,000	2,736,000	Dec-94	May-95	May-94	May-95	Jul-97
25 Midway Sanitation District	C490333	113	♣		L	0.00%	3.00%		10 yrs	IVb	0	151,000	Dec-94	May-95	May-94	May-95	Jul-97
26 Mapleton City	C490294	116	♣		L	0.00%			20 yrs	IVa & IVb	4,320,500	6,330,000	May-94	Jun-95	Mar-94	Jul-95	Dec-96
27 Snyderville Basin SID	C490313	134	♣		L	5.00%			15 yrs	II	1,500,000	1,500,000	Jul-95	Jul-95	Jul-96	Aug-95	Aug-97
28 Grantsville City	C490289	124	♣		L	0.00%			20 yrs	I	3,287,000	3,278,000	Jul-95	Aug-95	Sep-94	Sep-95	Dec-96
29 Moab City	C490324	129	♣		L	0.00%	4.50%		10 yrs	I	1,821,000	1,725,542	Apr-96	Sep-96	May-96	Oct-96	May-98
30 Highland City	C490340	144	♣		L	0.00%	4.00%		20 yrs	IVa & b	2,500,000	2,176,000	Apr-97	May-97	Apr-97	Apr-97	Apr-98
31 Central Davis Co. SD	C490336	140	♣	♦	L	0.00%	4.50%		20 yrs	I	5,100,000	5,100,000	Jul-97	Jul-97	Aug-97	Aug-97	Sep-98
32 Nibley City	C490339	142	♣		L	0.00%			30 yrs	IVa & b	6,054,000	6,104,000	Jul-01	Jul-01	Aug-01	Aug-01	Sep-02
33 St. George City	C490335	138	♣		L	0.00%	1.00%		20 yrs	I & II	12,000,000	12,000,000	Sep-97	Sep-97	Oct-97	Oct-97	Sep-99
34 Mapleton City	C490294-02	143		♦	L	0.00%			20 yrs	IVa&b	0	2,990,000		Dec-97		Jul-95	
35 Tooele City	C490303	111	♣		L	0.00%	3.50%		20 yrs	I & II	7,570,000	7,570,000	Sep-97	Dec-97	Oct-97	Jan-98	Sep-99
36 Washington City	C490319	213		♦	L	0.00%	2.00%		20 yrs	IVb&IIIIa	3,356,000	3,356,000	May-99	May-99	Jun-99	Jun-99	Jun-01
37 Ephraim City	C490273	212	♣		L	0.00%	3.60%		20 yrs	I	2,100,000	2,100,000	Sep-99	Sep-99	Oct-99	Oct-99	Dec-00
38 Minersville City	C490321	209		♦	L	0.00%	1.00%		20 yrs	I	525,000	525,000	Sep-99	Sep-99	Oct-99	Oct-99	Mar-00
39 Escalante City	C490347	214		♦	L	0.00%	2.00%		20 yrs	I	563,000	563,000	Oct-99	Oct-99	Oct-99	Oct-99	Mar-00
40 Richfield City	C490355	204		♦	L	0.00%	4.00%		20 yrs	IIIB	4,000,000	4,000,000	Nov-99	Nov-99	Jan-99	Jan-99	Dec-00
41 Price River WID	C490354	145	♣		L	4.00%			Jun-00	I	1,000,000	1,000,000	May-00	May-00	Jun-00	Jun-00	Jun-01
42 Green River City	C490329	110	♣		L	0.00%			20 yrs	IIIB	870,000	870,000	Jun-00	Jun-00	Jul-00	Jul-00	Jun-01
43 Salina City	C490348	211	♣		L	1.00%			20 yrs	IIIB & IVb	2,750,000	2,725,000	Mar-00	Aug-00	Apr-00	Sep-00	Feb-02
44 Salina City (increase)	C490348	218	♣		L	1.00%			20 yrs	IIIB & IVb		400,000	Mar-00	Aug-00	Apr-00	Sep-00	Feb-02
45 Snyderville Basin (PR)	C490334	146	♣		L	2.00%			10 yrs	I	4,000,000	4,190,000	May-00	Dec-00	Nov-00	Feb-01	Mar-02
46 Sunnyside City	C490356	154	♣		L	0.00%			20 yrs	IIIB	635,000	635,000	Apr-01	Apr-01	May-01	May-01	Apr-02
47 West Haven SD	C490326	152	♣		L	0.00%			20 yrs	IVb	6,536,000	6,536,000	Sep-00	Apr-01	Nov-99	May-01	Feb-00
48 Hildale City	C490310	118	♣		L	0.00%			20 yrs	I & IVb	1,585,000	1,585,000	Jul-01	Aug-01	Aug-01	Sep-01	Nov-02
49 Payson City	C490333	148	♣		L	4.00%			20 yrs	I	8,479,000	7,479,000	May-01	Aug-01	May-01	Sep-01	Feb-02
50 Bear Lake SSD	C490312	220	♣		L	0.00%			25 yrs	I	2,230,000	2,230,000	Jul-02	Jul-03	Jul-02	Aug-03	Dec-03
51 Beaver City	C490357	217		♦	L	0.00%	4.00%		20 yrs	I & IVb	2,950,000	2,050,000	Oct-01	Dec-01	Oct-01	Feb-02	Apr-03
52 Oakley City	C490360	221	♣		L	0.00%			20 yrs	I	400,000	400,000	Jun-02	Jul-02	Jul-02	Aug-02	Sep-03
53 South Salt Lake City	C490369	202	♣		L	0.00%			20 yrs	I	1,200,000	1,230,000	Jun-02	Aug-02	Jun-02	Non-02	Jun-02
54 Mapleton City	C490388	160		♦	L			2.00%	20 yrs	I	1,100,000	1,100,000	Sep-03	Feb-04	Jul-04	Jul-04	Feb-04
55 Nibley City (Increase)	C490339	142	♣		L	0.00%			30 yrs	IIIA & IVb	6,054,000	1,360,000	Jul-01	Feb-03	Aug-01	Mar-03	May-03
56 Nibley City (increase)	C490339	142	♣		L	0.00%			30 yrs	IIIA & IVb	6,054,000	275,000	Jul-01	Jan-04	Aug-01	Mar-03	May-03
57 Hyrum City	C490368	209		♦	L			1.30%	20 yrs	I	4,220,000	4,220,000	Aug-03	Dec-03	Aug-03	Aug-03	Dec-05
58 Fairview City	C490327	120	♣		L	0.00%			30 yrs	IVa, IVb, I	1,600,000	2,400,000	Feb-04	Jan-04	Mar-04	Feb-04	Mar-04
59 Dale Gubler	N002	NPS002		♦	L	0.00%			12 yrs	NPS	43,838	43,838	Jan-04	Feb-04	Jul-03	Jul-03	Jan-04
60 North Davis Sewer District	C490318	157		♦	L			2.74%	20 yrs	I, II	20,000,000	20,000,000	Jun-03	Jun-04	Oct-03	Jul-04	Oct-05
61 North Davis Sewer District (Increase)	C490318	157		♦	L			2.32%	20 yrs	I, II	20,000,000	900,000	Jun-03	Mar-05	Oct-03	Jul-04	Oct-05
62 Central Davis County SD	C490386	156	♣		L	1.90%			20 yrs	IVa & b, I	2,700,000	2,700,000	May-03	May-03	Mar-03	Jun-03	Jun-05
63 Central Davis County SD (Increase)	C490386	156	♣		L	0.50%			20 yrs	IVa & b, I	2,700,000	405,000	May-03	Apr-05	Mar-03	Jun-03	Jun-05
64 Central Valley WRF	C490381	158		♦	L			3.00%	20 yrs	IIIB	36,100,000	35,000,000	Jul-04	Apr-05	Aug-04	Apr-05	Dec-05
65 Moroni City	C490372	150	♣		L	0.50%			20 yrs	II	2,635,000	3,700,000	Sep-03	Jun-05	Oct-03	Jun-05	Dec-04
66 Parowan City	C490353	151	♣		L	2.75%			20 yrs	IVb	3,772,000	3,772,000		Aug-05	Mar-02	Aug-05	Mar-06
67 Hooper City	C490359	136	♣		L	0.00%			30 yrs	IVa	7,874,000	12,000,000	Apr-04	Jun-06	Mar-05	Jun-06	Apr-06
68 Darell Gardner	N003	NPS003		♦	L	0.00%			20 yrs	NPS	83,200	83,200	May-07	May-07	May-07	May-07	May-07

TABLE 2
UTAH STATE REVOLVING FUND
CASH DRAW SCHEDULE FOR STATE FISCAL YEAR 2007

Recipient Name	EPA Project Number	State Project Number	First ◆ Second ●	Authorized Loan Amount	Previously Disbursed	SFY 2007 July - Sept 1st Qtr	SFY 2007 Oct - Dec 2nd Qtr	SFY 2007 Jan - Mar 3rd Qtr	SFY 2007 Apr - June 4th Qtr	SFY 2007 Total	Remaining Balance
Bear Lake SSD	490220	220	◆	2,230,000	2,000,000		230,000			230,000	0
Central Davis Sewer District	490386	156	●	3,105,000	2,700,000	405,000				405,000	0
Central Valley WRF	490381	158	●	35,000,000	30,585,000					0	4,415,000
Darrell Gardner	NPS003	N003	●	83,200	-			83,200		83,200	0
Dee Waldron	NPS002	N002	●	94,640	-	94,640				94,640	0
Hooper City	490359	136	◆	12,000,000	3,000,000		5,250,000	3,750,000		9,000,000	0
Kirk Jensen	NPS004	N004	●	41,600	-			41,600		41,600	0
North Davis Sewer District	490318	157	●	21,650,000	20,900,000	750,000				750,000	0
North Fork SSD	490227	227	◆	3,810,000	-		1,000			1,000	3,809,000
Parowan	490353	151	◆	3,772,000	1,950,000	1,400,000				1,400,000	422,000
Scott & Cynthia Ward	NPS005	N005	●	31,200	-				31,200	31,200	0
Sherrel Ward	NPS006	N006	●	23,920	-				23,920	23,920	0
Wolf Creek SID	490837	837	●	5,300,000	-			2,100,000		2,100,000	3,200,000
DWQ Administrative Costs						5,822	66,714	32,436	43,254	148,226	
TOTAL				87,141,560	61,135,000	2,655,462	5,547,714	6,007,236	98,374	14,308,786	11,846,000
Federal LOC						1,158,640	4,536,076	3,103,500	0	8,798,216	3,501,576
State Match						241,360	945,097	646,500	0	1,832,957	729,424
SRF Repayment Fund						1,255,462	66,542	2,257,236	98,374	3,677,614	7,615,000

*Refer to Contingencies and Subsequent Events: Note 7.

STATE OF UTAH
Department of Environmental Quality
Division of Water Quality - State Revolving Fund
Unaudited Statement of Net Assets
June 30, 2007

ASSETS	SRF Loan Fund	Hardship Fund	Total
Current Assets:			
Cash & Cash Equivalents	\$20,356,646	\$8,472,122	\$28,828,768
Receivables:			
Amount Due from EPA	3,873		3,873
Loan Interest	234,036		234,036
Hardship Assessments		1,596,506	1,596,506
Accounts Receivable	5,128		5,128
Loans Receivable	10,385,003		10,385,003
Total Current Assets	30,984,686	10,068,628	41,053,314
Noncurrent Assets:			
Loans Receivable	150,235,598		150,235,598
Total Noncurrent Assets	150,235,598	0	150,235,598
Total Assets	181,220,284	10,068,628	191,288,912
LIABILITIES			
Current Liabilities:			
Due to State	9,001		9,001
Total Liabilities	9,001	0	9,001
NET ASSETS			
Unrestricted Net Assets:	\$181,211,283	\$10,068,628	\$191,279,911

The Notes to the Financial Statements are an integral part of this statement.

STATE OF UTAH
Department of Environmental Quality
Division of Water Quality - State Revolving Fund
Unaudited Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2007

	SRF Loan Fund	Hardship Fund	Total
OPERATING REVENUES			
Loan Interest	\$ 545,494		\$ 545,494
Hardship Assessments		\$ 3,391,598	3,391,598
Late Fees	-		-
Project Administration Fees	14,608		14,608
EPA Program Administration Fees	148,226		148,226
Total Operating Revenues	708,329	3,391,598	4,099,927
OPERATING EXPENSES			
Hardship Grants		3,923,695	\$ 3,923,695
Project Administration	15,260		15,260
EPA Program Administration	148,226		148,226
Total Operating Expenses	163,486	3,923,695	4,087,181
Operating Income	544,843	(532,096)	12,746
NON OPERATING REVENUES			
Interest on Investments	770,476	515,265	1,285,740
EPA Capitalization Grant	8,798,216		8,798,216
State Match	1,833,609		1,833,609
Total Nonoperating Revenues	11,402,300	515,265	11,917,565
Change in Net Assets	11,947,143	\$ (16,832)	11,930,311
Net Assets - Beginning	169,264,140	10,085,459	179,349,600
Net Assets - Ending	\$ 181,211,283	\$ 10,068,628	\$ 191,279,911

The Notes to the Financial Statements are an integral part of this statement.

STATE OF UTAH
Department of Environmental Quality
Division of Water Quality - State Revolving Fund
Unaudited Statement of Cash Flows
For the Year Ended June 30, 2007

	Loan Fund	Hardship Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Loan Payments	\$10,100,004		\$10,100,004
Disbursement of New Loans	(14,141,225)		(14,141,225)
Disbursement of New Grants		(\$3,923,695)	(3,923,695)
Receipts from Loan Interest and Penalties	549,137		549,137
Receipts from Loan Hardship Assessment		2,610,487	2,610,487
Receipts from EPA Program Administration Fees	146,880		146,880
Receipts from Project Administration Fees	(146,880)		(146,880)
Charges for Services	60,473		60,473
Project Administration	(61,124)		(61,124)
Net Cash Provided by/(Used by) Operating Activities	(3,492,736)	(1,313,208)	(4,805,944)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Inflow from EPA Capitalization Grant	8,798,216		8,798,216
Inflow from State of Utah (Match)	1,833,609		1,833,609
Net Cash Provided by Noncapital Financing Activities	10,631,824	-	10,631,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflow from Investments (Interest)	770,476	515,265	1,285,740
Net Cash Provided by Investing Activities	770,476	515,265	1,285,740
Increase in Cash and Cash Equivalents	7,909,564	(797,943)	7,111,621
Cash and Cash Equivalents, Beginning of Year	12,447,082	9,270,065	21,717,147
Cash and Cash Equivalents, End of Year	\$20,356,646	\$8,472,122	\$28,828,768
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$544,843	(\$532,096)	\$12,746
Net Changes in Assets and Liabilities:			
(Increase)/Decrease in Loan Interest Receivable	3,642		3,642
(Increase)/Decrease in Hardship Assessment Receivable		(781,112)	(781,112)
(Increase)/Decrease in Receivables from EPA	(1,346)		(1,346)
(Decrease)/Increase Due to State	(44,518)		(44,518)
(Increase)/Decrease Accounts Receivable	45,864		45,864
(Increase)/Decrease in Loans Receivable	(4,041,221)		(4,041,221)
Net Cash Provided by Operating Activities	\$ (3,492,736)	\$ (1,313,208)	\$ (4,805,944)

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY

Water Quality State Revolving Fund

Notes to the Financial Statements

June 30, 2007

Unaudited

Note 1. Reporting Entity

The State Revolving Fund (SRF) program was established pursuant to federal action in order to assist public water systems by providing low interest rate loans for preservation and protection projects that meet eligibility requirements. The United States Environmental Protection Agency (EPA) allows up to four percent (4%) of the Capitalization Grant award for the administrative costs of the program. This funding allows for both the supervision of the SRF program and the management oversight for individual projects.

The Water Quality Board (the Board) is comprised of eleven members appointed by the Governor. The Board develops policies and procedures for program implementation and authorizes loans under the SRF program. The Utah Department of Environmental Quality (DEQ) and the Board jointly manage the SRF program. The DEQ, Division of Water Quality reviews loan applications for eligibility, prioritizes eligible projects, monitors loan disbursements and repayments, and conducts project inspections. Through the Utah Code, the legislature has given the Board rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The SRF program receives assistance and support from the Department of Environment Quality - Office of Support Services, the Department of Administrative Services - Division of Finance, the Utah Attorney General's Office, and the State Treasurer's Office. Salaries and benefits of employees, as well as indirect costs based on direct salary costs, are charged to the SRF based on time spent on SRF activities. Employees who charge time to the SRF are covered by the State of Utah personnel benefits plan. The Division of Finance charges loan administration fees to the program.

The SRF program is funded by a series of grant awards from EPA. Grant conditions require States to provide twenty percent (20%) matching funds to the federal Capitalization Grant amount.

The SRF program and activities are included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The SRF assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies

The accounting policies of the SRF program conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operation of the funds are included in the balance sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

In accordance with the Money Management Act, Section 51-7 of the Utah Code, the State Treasurer administers cash and manages investments in the State. The Money Management Act specifies the investments that may be made, which are only high-grade securities. Therefore, there is very little risk except in the most unusual and unforeseen circumstances. Investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate. Therefore, there is very little market risk because the investments follow the normal swings of interest rates. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Shares are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain investments and for External Investment Pools," which requires all investments in debt and equity securities to be reported at fair value in the balance sheet and all investment income, including changes in the fair value of investment, to be reported in the statement of revenue and expenses.

Notes to the Financial Statements

Hardship Assessments

The Board has the option to charge a hardship assessment in lieu of interest. Hardship assessments are calculated and paid in the same manner as interest. The restriction for the use of hardship assessments differs from the restriction for the use of interest. Hardship assessments are accounted for in a separate fund and can be used for purposes other than loans, including grants to disadvantaged communities.

Contributed Capital

In accordance with generally accepted accounting principles (GAAP), funds received from the EPA and the State of Utah for the capitalization of the SRF are recorded as non-operating revenues. Funds received from the EPA to reimburse administrative costs are reported as operating revenue.

Note 3. Cash and Cash Equivalents

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash. The Treasurer is responsible for maintaining the cash balances in accordance with the Utah Money Management Act. Utah's Money Management Act requires the Treasurer to invest these funds in a manner that: (1) ensures maximum safety of principle; (2) provides adequate liquidity to meet all operating requirements; and (3) achieves the highest possible return on investment consistent with the primary objectives of security and safety. Details of the investments of the PTIF can be obtained from the State Treasurer.

Investments in local government investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

	<u>Loan Fund</u>	<u>Hardship Fund</u>	<u>Total</u>
Cash	(\$ 806,685)	\$ 983,927	\$ 177,242
Cash Equivalents	<u>\$21,163,331</u>	<u>\$7,488,195</u>	<u>\$28,651,526</u>
Total	<u>\$20,356,646</u>	<u>\$8,472,122</u>	<u>\$28,828,768</u>

Note 4. Loans Receivable

Loans are made to qualifying entities for projects that meet eligibility criteria. The SRF loan awards are comprised of the following funding sources: (1) the federal EPA Capitalization Grants; (2) State match funds; (3) loan repayments; (4) interest payments; and (5) SRF interest earnings. Projects are funded through the purchase of an incremental disbursement bond and proceeds are drawn based on cost reimbursement and deposited into an escrow account. Loan interest begins accruing when funds are deposited in the escrow account. Principal repayment must begin no later than one year after the completion of the project. Effective interest rates and hardship assessments on loans vary between 0.0 and 5.0 percent

Notes to the Financial Statements

and are generally repaid over 20-years. The interest rates on the loans are generally lower than market rates and, in some cases, are non-interest bearing. Loans mature at various intervals and recipients make annual payments. Additionally, based on the EPA allowance, communities have participated in extended financing for projects. No provision for uncollectible accounts has been made as all loans are current and management believes that all loans will be repaid according to the loan terms.

Loans mature at various intervals through October 1, 2037 and the scheduled principal repayments on loans follows:

Year ending June 30,	Amount
2008	\$10,385,003
2009	10,814,291
2010	10,905,709
2011	10,654,298
2012	10,223,437
Thereafter	107,637,863
Total loans receivable as of June 30, 2007	<u>\$160,620,601</u>

The program is in compliance with the fund commitment rules.

Note 5. Due to State of Utah

Due to State of Utah balances are an aggregation of amounts due to employees for salaries and benefits and/or vendors and miscellaneous suppliers paid by the state.

Note 6. Capitalization of the Fund

The EPA grants and the State match capitalize the SRF program. Loan program draws and the State match are recorded as non-operating revenues.

As of June 30, 2007, the State of Utah has received a total of \$139,953,794 from EPA Capitalization Grant awards. A total of \$136,404,127 has been drawn from the federal awards for first round projects and program administration. In addition to federal EPA awards, the State of Utah has provided a total of \$27,298,371 as matching funds for the SRF loan program. As of June 30, 2007, a total of \$3,549,667 remains to be drawn from the federal EPA grant awards.

Notes to the Financial Statements

Note 7. Contingencies and Subsequent Events

- The SRF is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing SRF business, or acts of God.
- The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the SRF.

Authorized Projects

As of June 30, 2007, the total remaining draws for projects with closed loans was \$11,846,000. Draws will be completed during future fiscal years in order to complete wastewater projects in these communities. As of June 30, 2007, the Board had authorized an additional \$78,331,000 for wastewater projects in seven communities. However, loan closing had not been completed for these projects. A summary of this information is as follows:

	<u>Date Closed</u>	<u>Closed Loans with Pending Draws</u>	<u>Authorized – Not Closed</u>
Central Valley	4/2005	4,415,000	
Central Weber SID			20,000,000
Eagle Mountain			6,665,000
Magna Water Co.			5,000,000
North Fork SSD	11/2006	3,809,000	
Parowan City	8/2005	422,000	
Perry City			11,350,000
Richmond City			3,316,000
South Valley WRF			20,000,000
Willard City			12,000,000
Wolf Creek SID		\$3,200,000	
Total Outstanding Commitments		<u>\$11,846,000</u>	<u>\$78,331,000</u>